

**Remarks of  
Martin J. Gruenberg, Vice Chairman,  
FDIC; Gulf Coast Housing Assistance Summit;  
Strategies for Redeveloping Communities  
and  
Rebuilding Lives; Oak Brook,  
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Good morning. I am pleased to be here today to speak to you about ways that we can support housing recovery in the Gulf Coast areas affected by Hurricane Katrina. I also appreciate all of you joining us and showing your support for this important initiative. I would like to begin by commending Tom Curry, the Chairman of NeighborWorks America, and Ken Wade, NeighborWorks America's Executive Director, for their outstanding leadership in putting together this symposium. I would also like to commend Bob Mooney, Lee Bowman, and Angelisa Harris of the FDIC for their outstanding work.

We hope that this summit will provide practical, specific assistance to the Gulf Coast community to help address this critical housing need. Before the general program begins, I would like to speak to you for a few minutes about the FDIC's commitment to Gulf Coast recovery, the housing challenges faced by the region, and ways in which we hope this summit will help you find ways to address these challenges.

### **The FDIC's Commitment to Gulf Coast Recovery**

The FDIC has considered Gulf Coast recovery one of its most important priorities since the hurricanes struck over a year ago. The disaster immediately affected the operations of at least 120 financial institutions located in the most severely affected counties, destroying facilities, disrupting communication and data processing capabilities, and rendering inhabitable the homes of countless bank and thrift employees as well as the rest of the population.

In the immediate aftermath of the storms, the FDIC worked closely with the other state and federal regulatory agencies to preserve public confidence in the financial system and restore essential financial services. Back then, we were focused on helping ensure that consumers had access to basic financial needs including obtaining needed cash, getting in touch with their financial institutions, and being able to conduct necessary financial transactions. From the outset, we recognized that we were dealing with extraordinary circumstances that required creativity and flexibility. I am pleased to say that within 10 days of the storm, virtually all financial institutions were open and operating in some capacity.

Since that time we've worked closely with the affected institutions to ensure that the adverse impact of the storms on the industry and their customers was minimized to every extent possible. Through our supervisory process, we've closely monitored the

condition of the affected institutions and worked with their management to address any challenges that have arisen as the region recovers. And we joined the other federal regulatory agencies to host a forum in New Orleans last March focusing on the short- and long-term challenges facing banks and thrifts operating in areas affected by hurricanes and ways to help these institutions rebuild their communities. The forum promoted communication and collaboration among Gulf Coast community financial institutions, national and regional institutions, and federal agencies involved in the rebuilding effort, and helped identify ways to address the challenges.

I am pleased to report that the resiliency of all of the affected financial institutions has been quite impressive. All institutions in the affected areas remain adequately or well capitalized and liquidity remains strong.

Looking ahead, the long-term prospects for these financial institutions, particularly the significant proportion that are local community banks and thrifts, remain tied to efforts underway to rebuild and revitalize the communities that these institutions serve. The overwhelming majority of these institutions are relatively small community banks and thrifts that before the storms obtained all of their deposits from within the most damaged counties. Many of these institutions have a long history of lending in their local communities. Their longer-term prospects are closely linked to the health and vitality of the local economies. And the well being of the local communities is closely linked to the revitalization of housing within those communities.

### **The Housing Challenge**

As I said earlier, Gulf Coast recovery has no greater priority than housing. One only needs to drive around this area to develop a keen appreciation of the scale of the problem. As you all know, residential rebuilding in the New Orleans area faces a wide variety of challenges, including uncertainties regarding the rebuilding of existing levees, escalating insurance premiums, and inadequate flood insurance coverage in some areas. The worst hit areas in New Orleans are predominately residential areas and affordable housing in the New Orleans area remains in short supply, further slowing the rebuilding effort. Rents in New Orleans have increased 39 percent in the past year according to the Department of Housing and Urban Development. And home values in many of the flooded neighborhoods are declining or stagnant.

But progress is being made. According to the Katrina Index, published by The Brookings Institution, which tracks post-Katrina recovery, the pace of home renovations and demolitions in the area continues to escalate. The most recent Katrina Index report stated that 10,000 new residential permits were issued in the city of New Orleans between August and September 2006, the largest one-month increase in new permits issued since the storm and that home demolitions are also up significantly.

### **Goals of the Summit**

Now that housing recovery is beginning to take place in the region, the challenge will be for local organizations, including financial institutions and community organizations such as yours, to assist the housing recovery process. As we all know, recovery will not occur until there is adequate housing for demolition and reconstruction workers as well as workers at local businesses. But providing such housing resources will require teamwork from a broad range of organizations, including financial institutions, nonprofit organizations, employers, governmental entities, and others. You represent the region's banks and thrifts, credit unions, community organizations, housing advocates, and faith-based organizations, government agencies, and other interested and involved entities. This summit is designed to provide you with an opportunity to learn about new ideas, leverage existing resources, and develop new partnerships to promote the housing recovery.

One of the key objectives of the program is education. In December 2005 and early 2006, the FDIC Community Affairs Program conducted a series of meetings throughout the Gulf Coast to identify community and consumer financial and service needs resulting from the Gulf Coast hurricanes. One of the concerns identified was the overwhelming need to educate homeowners on a broad range of issues they must address in order to re-establish housing for their families.

The absence of collective guidance for homeowners on the basics of government disaster assistance, nuts and bolts of insurance, financial services and resources, money management, how to work with a contractor and other housing related issues was identified as critical to the recovery process. This information is especially crucial for low-and moderate-income persons and families who may find it even more challenging after a disaster to access the type of credit and banking services that will meet their needs.

The FDIC, together with NeighborWorks America, developed a step-by-step guide — Navigating the Road to Housing Recovery — for homeowners in an effort to provide a single source of information on a myriad of issues consumers must consider in making decisions related to building, rehabilitating, selling or buying homes in the wake of the hurricanes.

Yesterday we held pre-summit information sessions for homeowners and consumers to introduce them to the new joint guide which is designed to help them make informed decisions related to their housing situations. Some of the types of issues people in the area will be faced with include decisions about whether to sell their home or repair damages, filing private insurance and FEMA claims, obtaining new insurance, dealing with state recovery assistance programs, understanding building codes, obtaining financing, and dealing with multiple contractors or new landlords. These are issues that go far beyond traditional homebuyer education or post-homeownership education and training. Many of you will doubtless play a role in helping these consumers navigate their way through this maze and we'll provide tools to help you do that.

Another objective is to help financial institutions respond to community needs as they change along with the recovery. Local financial institutions have already done an outstanding job responding to the hurricanes and meeting the needs of their customers. But the road ahead won't be easy and the challenges will be great. These challenges include increased vulnerability of borrowers to deceptive business practices, unprecedented inflows of insurance settlements and recovery assistance, and growing demands for different types of lending as the pace of construction and development accelerates. The ability of your institution to respond to these new developments will depend on your state of readiness, your willingness to adapt to changing needs, and your ability to leverage partnerships with local community and housing organizations.

A third objective is to ensure that all involved regional financial and community organizations are aware of new and existing government programs that can address the needs of the region and that they understand how to leverage these programs to their full advantage. Joining us are representatives from some of these agencies, as well as Fannie Mae and Freddie Mac, to share more about their programs. We hope that this will provide you with an opportunity to learn from them and ensure that you are leveraging available assistance programs.

Finally, we hope to promote partnerships among participants in today's program to address the housing recovery process. Partnerships are critical, as the challenges are too much for any one organization or sector to address alone. We hope that this summit will help illustrate the impact partnerships can have, create new partnerships, and leverage existing ones to help the community work its way through this recovery.

Allow me to conclude by thanking you all once again for joining the FDIC and NeighborWorks America today at this conference. It is impossible to visit this area and witness the determination of local financial institutions and community leaders such as you to rebuild your communities without feeling a renewed sense of the obligation of the FDIC to do all we can to assist you in your efforts. The FDIC remains committed to Gulf Coast recovery, and these opportunities to learn, share and partner are an important part of the road to recovery.

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